CHAPTER 3
ECONOMIC CONSIDERATIONS

1.   BACKGROUND

For there to be a successful revitalization of Arlington's commercial districts, there needs to be an economic strategy for strengthening existing businesses and attracting the "right" mix of new businesses. This chapter is largely taken from work done by Kennedy Smith, a consultant specializing in the economic revitalization of traditional downtown areas. Included in this chapter is an analysis of Arlington's strengths and weaknesses, Arlington's potential for economic growth, and a strategy for revitalizing Arlington's economy.   It covers an area referred to as the Magnolia/Van Buren Corridor, as illustrated in Figure 2.

The consultant's analysis and conclusions are based upon a variety of data sources. Retail market analysis is not an exact science; it is a tool for making the best possible educated guesses about complex conditions with numerous variables. This report uses numbers, backed up by qualitative information, to highlight characteristics that affect the Arlington commercial district. But, the numbers are not, and cannot be, absolute; they are simply guideposts for making informed choices.

2.   ISSUES

There are many issues facing Arlington's business community. The following are some of the more important issues dealt within this chapter:
- **Declining Sales:** Arlington has experienced significant declines in retail sales.
- **Business Methods:** Many of Arlington's business owners do not take a scientific approach to cultivating and keeping their customers.
- **Lack of Organization:**   There is no overall organization promoting and strategically planning for Arlington's economic health.
- **Competition:** There is significant competition from nearby commercial areas.
- **Over-Built Commercial:** The City is over built with commercial uses, with the result that areas without a strong competitive advantage are suffering.
- **Poor Appearance:** The Arlington commercial district, while charming in

FIGURE 2
MAGNOLIA/VAN BUREN CORRIDORS

- its essential form, suffers from poorly conceived remodelings and poor maintenance.
- **Lack of Pedestrian Amenities:** While there is a considerable amount of space for pedestrians on wide sidewalks in the Village area, other amenities are lacking.

3. THE ECONOMIC ENVIRONMENT FOR RETAILING IN RIVERSIDE

The City of Riverside had a surplus of approximately $250 million in department-store type merchandise in 1992, meaning that in 1992 the City attracted more retail dollars than its residents alone had the buying power to spend. At first glance, one might think this could be a positive sign, but this sales surplus is eroding, as new commercial centers open both in Riverside and in surrounding communities. Also important to consider is that most of the surplus sales currently *appear* to be going to the Galleria at Tyler, to the commercial complex near the University of California/ Riverside, and to discount superstores and "category killers" on the periphery of the community.[1] It does not appear to be captured by many of the businesses within the City's traditional commercial districts -- particularly the Downtown, Arlington, and Magnolia Center.

The sales erosion has apparently been building for almost a decade. In its 1991 analysis of market demand and property valuation of the old and new County General Hospital sites, Williams-Kuebelbeck & Associates, Inc. and Pacific Associates Planners Architects, Inc. concluded that, even at that point, the City of Riverside was losing the retail dominance it had enjoyed in the past within the County. "Although the City captures a high percentage of the County's retail sales activity," the consultants wrote in their report for the County's Economic Development Agency, "its market share is slowly declining as smaller cities and communities grow and are able to support commercial development."[2]

There is also a serious oversupply of retail space within the City of Riverside that is further diluting sales of many small businesses. This disturbing fact was strongly reinforced by data collected in the Arlington Business Survey, conducted in the fall of 1997 and summarized later in this report. In this survey, *93 percent of businesses which completed the survey reported that sales have declined or stayed the same over the past two years, **with over half -- 52 percent -- reporting declining sales***. According to the survey, gross sales within the commercial district have dropped by an alarming 51.9 percent (adjusted for inflation) since 1992.

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[1] I reached this conclusion through visual inspection and anecdotal information given to me by a variety of Riverside residents during interviews; the assumption could be tested through consumer surveys. A major consumer survey of the Riverside area has not been conducted since May, 1986, when a study of retail expenditures in the Riverside area was conducted for the Retail Committee of the Greater Riverside Chamber of Commerce by Marylander Marketing Research, Inc. of Encino, California.

[2] Williams-Kuebelbeck & Associates, Inc., and Pacific Associates Planners Architects, Inc., *Market Study and Land Valuation Analysis of the Existing and Proposed County General Hospital Sites*, October 9, 1991, page 20.

As surrounding communities become more proficient in meeting the commercial needs of their residents and workers, traditional commercial districts throughout Riverside -- including Arlington -- are likely to experience continuing economic deterioration unless a broad range of public and private sector participants intercede with *concerted effort and deliberate* action to reverse the district's decline. This includes not only action taken *within* the Arlington commercial district itself but also action at the City and County levels to fully and deliberately utilize existing commercial districts already served by businesses, infrastructure and transportation before allowing development to further dilute the area's neighborhoods.

It is likely that most of the sales of department-store type merchandise which the City is successfully attracting are coming from lower and middle income households. The City currently appears to be losing sales generated by its upper income residents (household incomes more than $50,000) -- which, proportionate to their size, spend significantly more on retail goods and services than households of more modest means. It would be conservative to estimate that 30 percent of retail purchases made by these households are being made outside the city, representing a sales leakage of more than $140 million.[3]

Table 1: Riverside Household Buying Power (incomes of $50,000 or greater, and estimated loss of sales to the City of Riverside from this group)

Category	Total Demand: Riverside Households with Incomes > $50,000/Year	30% Loss
Groceries	$91,820,000	$27,546,000
Meals eaten in restaurants	83,299,000	24,990,000
Furniture, home furnishings, appliances	70,372,000	21,112,000
Apparel and accessories	79,348,000	23,804,000
Personal care	16,725,000	5,018,000
Reading materials	7,406,000	2,222,000
Televisions, stereos, movies, recorded music	77,928,000	23,378,000
Pharmaceuticals, medical supplies, health care	59,568,000	17,870,000
		$145,940,000

Unfortunately, this trend is not new. Over a decade ago, Marylander Marketing Research, Inc.

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[3] A more precise estimate of outmigration of retail dollars by Riverside residents of various income and other categories could be obtained by conducting consumer telephone and intercept surveys. Such a survey has not been conducted in Riverside since 1986.

conducted an extensive study for the Greater Riverside Chambers of Commerce of the shopping preferences of Riverside and Moreno Valley residents.[4] The consultants concluded that, among other things, upper-income households were more likely to shop outside Riverside. A decade later, the trend apparently continues.

4.   ECONOMIC CHARACTERISTICS OF ARLINGTON'S BUSINESS DISTRICT

a.   Geographic Description

In analyzing the Magnolia Avenue and Van Buren Boulevard corridors, it is helpful to divide the area into subdistricts (see Figure 2). Beginning at the center, the most identifiable area of Arlington is its Village. Focused on the intersection of Magnolia Avenue and Van Buren Boulevard, the Village area is Arlington's historic town center, housing its shops, library and community park. Radiating out from the Village are "portal" areas that serve as a transition between the broader community and the Village.

b.   Zip Code Area and Census Tract

For purposes of examining the neighborhood's demographics, this chapter focuses primarily on Census Tract 316 (central Arlington), with additional study of the broader area covered by the 92503 zip code (see Figure 3).

c.   Neighborhood Demographics

About 8,000 people live in central Arlington. Demographically, households are about the same as those in the City as a whole, although Arlington has slightly fewer households headed by middle-aged people, slightly more households headed by older people, and more low and moderate income households than the City as a whole (*Tables 2-4).* Proportionately, there are slightly more white people living in the central Arlington than in the City, and a significant majority of residents trace their ancestry to the Midwest.

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[4] Marylander Marketing Research, Inc., *Retail Expenditures by Riverside Area Residents Outside of Riverside County* and *Public's Perception of Retailing in Riverside*, August 1986.

FIGURE 3
CENSUS TRACT 316 AND ZIP CODE AREA 92503

Retail trade is the largest employer of Arlington residents, accounting for 17 percent of all neighborhood residents' jobs. Manufacturing provides 16 percent of Arlington's jobs, followed by construction (12%), health and educational services (8% each), and business and repair services (7%), with the remaining jobs in other fields such as communications, transportation, and finance. Fewer than 1% of Arlington's residents work at home -- a lower percentage than in the City or County. About half of all Arlington residents work in Riverside (48%), a ratio that is proportionate with workers citywide. More than one/third (38%) have a 30- to a 60-minute daily commute.

The people who live in the core Arlington area constitute a significant share of the Arlington commercial district's *potential* market for *convenience-oriented goods and services*, like groceries, hair and skin care, laundry services, gasoline, and other goods and services for which a close location is usually the most important factor in the decision about where to shop. These neighborhood residents, along with people who work in Arlington, are the primary market for Arlington's neighborhood-serving businesses.

Beyond the central Arlington (Census Tract 316), the surrounding residential neighborhoods (92503 zip code) add an additional 55,000 or so residents to the market for Arlington's retail businesses. In many ways, the demographics of this larger group of Riverside residents parallel those of the City as a whole, with a nearly identical distribution of households according to household size, income and householder age. While many of the residents of this larger geographic area are undoubtedly served by other commercial centers more convenient to their homes than Arlington's core commercial district, it is nonetheless likely that some of these people already patronize some Arlington businesses and, if Arlington were to offer a more compelling retail mix and better marketing, this group of residents might become a more significant market.

Table 2: Household Size

Household Size	Census Tract 316	92503 Zip Code	City of Riverside
One person	21%	16%	20%
Two people	28%	26%	29%
Three people	20%	18%	18%
Four people	16%	19%	16%
Five or more people	15%	20%	16%

Table 3: Household Age

Age of Householder	Census Tract 316	92503 Zip Code	City of Riverside
Under 24	7%	4%	8%
25-34	28%	30%	27%
35-44	22%	25%	24%
45-54	11%	14%	14%
55-64	10%	11%	11%
65-74	10%	9%	10%
75 and over	12%	6%	7%

Table 4: Household Income

Household Income	Census Tract 316	92503 Zip Code	City of Riverside
Less than $5,000	4%	3%	4%
$5,000 - $10,000	8%	5%	7%
$10,000 - $15,000	6%	7%	8%
$15,000 - $20,000	7%	6%	7%
$20,000 - $30,000	24%	17%	16%
$30,000 - $40,000	17%	17%	15%
$40,000 - $50,000	15%	16%	13%
$50,000 - $70,000	12%	15%	12%
$70,000 and above	7%	14%	18%
Less than $30,000	49%	38%	42%
More than $30,000	51%	62%	58%

d.   *Business Composition*

There are approximately 240 businesses in the Arlington commercial area. Exactly half of these are retail businesses; 30% are professional offices (such as law and medical offices) and personal services (like hair and skin care); with the remaining 20% consisting of nonprofit organizations, small industries, real estate management companies, and various others which defy categorization.

The district includes some of the City's best-known businesses, as well as some highly specialized businesses (such as a photographic supply business and a violin maker). These specialized businesses appear to attract, or have the potential to attract customers from a very broad trade area. Such businesses have the potential to provide spinoff support for related specialty businesses with similar customers.

While the district includes several of these businesses with geographically expansive trade areas, it also includes a variety of businesses which cater mostly to the needs of people who live and work in the Arlington neighborhood -- hair salons, grocery stores, restaurants, and medical offices, for instance. The commercial district also includes several "clusters" of related businesses which have the potential to become stronger. These include antiques and collectibles; dining and entertainment; and a sizable cluster of businesses with an Asian focus. Each of these clusters has the *potential* to become an "anchor" or "magnet" -- as a group -- for the district, attracting customers from throughout the City, County, or even a broader geographic market area.

Table 5: Businesses by Type

Business Type	% of Businesses in the Arlington Neighborhood
Professional offices	16%
Personal services	14%
Retail	50%
Real estate management	7%
Nonprofit organizations	2%
Industries	2%
Unknown	9%

The environs around Arlington contain a number of major businesses and industries, including 38 with more than 50 employees[5] -- businesses like Fleetwood Enterprises, Rohr Industries, and Wal-Mart, and community institutions like the California Baptist College and the Sherman Indian High School. In all, approximately 8,200 people hold jobs with these 38 major employers, with Arlington's businesses contributing a relatively modest 375 or so additional jobs to the neighborhood's employment base.[6]

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[5] This information was provided by an April 1996 listing of Riverside's major employers provided by the Greater Riverside Chambers of Commerce.

[6] Our estimate of the number of workers within the district is a conservative one. The City's Development Department provided the consultant with a list of all district businesses, derived from business license records. This is the list of businesses to which copies of the Arlington Business Survey were mailed. All those businesses whose surveys were returned by the US Postal Service as "undeliverable" were deleted from the list. Then, based on information derived from the Business Survey on the average numbers of workers in Arlington businesses, by

Although these major employers are not located within this report's study area, many of the people who work in these businesses and industries pass through Arlington's commercial district every work day and are, to some extent, served by the businesses in the core Arlington commercial district. It is likely that the businesses in Arlington's core commercial district could increase their sales to this very large "captive market" of people who work within the neighborhood. This opportunity will be explored in greater detail later in this chapter.

e.   Business Condition

Retailing in Arlington has seen better days, to put it mildly. According to the Arlington Business Survey conducted in the fall of 1997, businesses in Arlington's core commercial district have seen gross sales decline by an astonishing 51.9 % (adjusted for inflation) since 1992 *(Table 6)*. That's not the worst news, either: More than 90% of all the businesses in Arlington's core commercial district report that sales have declined or stayed the same in the past two years. The declines appear to have most severely affected retail businesses and businesses older than ten years *(Tables 7-8)*. According to businesses completing the Arlington Business Survey, the average gross sales of retail business in Arlington's core commercial district dropped from $153,000 in 1995 to an alarming $110,500 in 1996. Younger businesses, professional offices, and service-related businesses appear to have experienced modest increases in the past two years, as have businesses located south of the Van Buren/Magnolia intersection.

Table 6: Percent change in gross sales from 1992

Year	Without Inflation Adjustment	With Inflation Adjustment
1993	-5.6%	-5.8%
1994	-22.4%	-23.6%
1995	-35.9%	-38.8%
1996	-46.7%	-51.9%

Table 7: Average gross sales 1995 & 1996

business type, the consultant estimated that the average "professional" business in the Arlington commercial district has 1.25 workers; a retail business has 2.0 workers; 1.0 per nonprofit organization; 0.5 per real estate management company; 1.0 per personal services business (such as hair or skin care); and 5.0 per industry. Business whose business types were unknown were assigned 0.25 workers each. [Note that these estimates represent only approximately 75 % of the actual averages derived from the Business Survey, providing a more conservative base for estimating workers' buying power.]

Business Characteristic	Year	
	1995	1996
According to age of business:		
· Under 3 years	$17,000	$50,667
· 3-10 years	81,572	84,175
· 10-20 years	96,000	79,500
· 20 years and over	136,667	123,250
According to business type:		
· Professional	55,333	65,750
· Retail	153,000	110,500
· Personal services	80,372	81,875

Table 8: Two Year Sales Trends

Location	Change in Sales over the past Two Years		
	Decreased	No Change	Increased
Arlington Village	40%	30%	30%
East Magnolia Portal	60%	40%	0%
West Magnolia Portal	60%	40%	0%
South Van Buren Portal	20%	20%	60%
North Van Buren Portal	n/a	n/a	n/a

In general, Arlington's commercial district suffers from a lack of retail focus. While the district once had a cohesive core of neighborhood serving retail businesses, this tightly-focused mix of retail businesses has long since dissipated, as residents have had better access to cars and as additional retail centers and shopping alternatives have become available. This is not a sudden shift, nor the result of any one single new development affecting the market, but, instead, is the cumulative result of more than 50 years of subtle changes. Residents began buying groceries in larger grocery stores, or in stores closer to work. Clothing stores lost sales to the chain stores in new shopping centers. Industrial innovations automated many of the agricultural jobs, replacing them with jobs farther away, thus changing the market base from which Arlington drew many of its customers.

Individually, of course, none of these changes have been pivotal. But year-by-year, the aggregate changes have taken their toll on Arlington's neighborhood-based businesses, with sales displacement as small as 10 or 15% putting once-healthy businesses *out* of business. Traditional business districts were never organized to compete with shopping malls, nor did they have the resources shopping malls have to study demographic trends, consumer buying patterns or preferences, or retail innovations. As alternative shopping locations flourished, traditional neighborhood business districts like Arlington suffered the inevitable consequences of an oversupplied retail market, outdated marketing techniques, and a nonspecific, unplanned mix of retail businesses.

In order for Arlington's commercial district to regain economic equilibrium and find a competitive niche in the regional economy, it is essential that the City and the district's property owners, business owners, developers, realtors and lenders, adopt a retail development strategy which builds on Arlington's strengths, avoids overt competition with better-organized retail centers, and capitalizes on unmet regional market demand.

f. *Key Advantages*

Arlington's commercial district has a number of advantages which can become key ingredients in a solid retail development strategy. These include:

- A *classic traditional small downtown* which provides a *distinctive visual identity*
- A *rich history*, providing opportunities to shape a unique market position
- A strong sense of *neighborhood identity* and a core of concerned constituents
- Heavy daily *vehicular traffic* providing exposure to many potential customers
- The market potential of a *strong employment base* in the greater Arlington area
- Several *schools* (and the potential consumer strength of the student populations)
- Several *specialized businesses*, with the potential to attract from a broad area
- The relatively recent addition of several *businesses appealing to young adults*

g. *Key Weaknesses*

At the same time, the district has several significant weaknesses which could hamper its retail revival. These include:

- The *lack of a clearly defined retail focus* that is known to the broader community
- Unclear, *"fuzzy" boundaries between residential areas commercial* uses
- *Poorly conceived building alterations* which detract from the historic architecture and compromise the architectural integrity of the district
- A large number of *poorly maintained buildings*
- The presence of *gaps between Village commercial building*
- A *lack of pedestrian amenities* (benches, landscaping, outdoor dining etc.)
- *Sign regulations* that may not be appropriate for a traditional "downtown"
- A general *lack of technical or financial support* for businesses

- The *absence of a district-wide revitalization or management program*
- The dilution of the market from *overdevelopment of commercial land elsewhere*
- *High speed/volume traffic* which discourages pedestrian activity on Van Buren
- An *aging population*, with diminishing buying power

5.   BUYING POWER OF RESIDENTS AND WORKERS

a.   *Convenience goods and services: The buying power of Arlington's workers and residents*

Arlington's residents and workers represent a considerable potential market for businesses. These two sizable "captive markets" constitute a strong *potential* market for convenience-oriented goods. People who live in Arlington's core have the potential to spend over $8 million annually on groceries, $5 million in restaurants, $1 million on personal care products/services, $1 million on pharmaceuticals and medical supplies, and $½ million on reading materials, all items people usually purchase close to their homes or places of work *(Table 9).*[7] These people are already spending this money on these products and services *somewhere* in the Riverside area; one of the Arlington commercial district's challenges will be to capture these sales dollars.

Table 9: Estimated buying power, Census Tract 316

Product or Service	Buying Power
Groceries	$8,105,000
Meals eaten in restaurants	5,114,000
Apparel and apparel accessories/services	4,864,000
Furniture, home furnishings, and appliances	3,975,000
Personal care products and services	1,222,000
Reading materials	496,000
Televisions, stereos, movies, recorded music	1,604,000
Entertainment (admissions)	1,228,000
Pharmaceuticals/medical supplies	1,102,000

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[7] Estimates were calculated using the *Consumer Expenditure Survey* and the *1990 Census of Population*, adjusting *Census* data for population increases in the City of Riverside since the *Census* was conducted.

The people who live in the residential areas adjacent to the core Arlington commercial district constitute Arlington's primary *residential* market. In addition, there are many more people who live in residential areas slightly farther away but still within reasonably close proximity. While it is unlikely that Arlington's convenience-oriented retail businesses would be able to capture a large percentage of sales from this secondary residential market, targeting this group for additional sales is another logical strategy. This secondary residential market (92503 zip code) is considerably larger, and therefore has much more buying power, than the primary residential market *(Table 10)*. But capturing even a small percentage of this secondary residential area's purchases could add considerably to the primary residential group and significantly improve sales in Arlington's *convenience-oriented* retail businesses.

Table 10: Estimated buying power, 92503 zip code area

Product or Service	Buying Power
Groceries	$55,154,000
Meals eaten in restaurants	38,008,000
Apparel and apparel accessories/services	35,911,000
Furniture, home furnishings, and appliances	30,321,000
Personal care products and services	8,676,000
Reading materials	3,610,000
Televisions, stereos, movies, recorded music	11,315,000
Entertainment (admissions)	9,797,000
Pharmaceuticals/medical supplies	7,376,000

In addition to Arlington's primary and secondary residential customer segments, it also has a large *employment base* -- approximately 8,500 people who work in the Arlington vicinity.[8] Although many of these workers are likely to prefer buying convenience-oriented goods and service in their neighborhoods, it is likely that Arlington's businesses could capture a modest percentage of the convenience purchases these people make *(Table 11)*. By making it as convenient and enticing as possible for Arlington-area workers to shop at Arlington businesses -- offering free daytime delivery within the district, for instance -- Arlington's businesses might be able to handsomely augment their sales.

Table 11: Buying power, Arlington area workers

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[8] Because no data is available on the household incomes or other demographic characteristics of people who work in the Arlington area, we have used estimates of average expenditures for *all US households* in estimating the buying power of Arlington-area workers rather than estimating buying power based on actual demographics. For that reason, the estimates of buying power in Table 11 could be high or low by as much as 20 %.

Product or Service	Buying Power
Groceries	$23,255,000
Meals eaten in restaurants	14,560,000
Apparel and apparel accessories/services	14,097,000
Furniture, home furnishings, and appliances	11,559,000
Personal care products and services	3,404,000
Reading materials	1,415,000
Televisions, stereos, movies, recorded music	4,570,000
Entertainment (admissions)	3,764,000
Pharmaceuticals/medical supplies	3,164,000

b.   Comparison Shopping: Other Retail Expenditures by Arlington's Residents and Workers

In addition to the convenience-oriented goods and services which Arlington's residents and workers buy, these people also buy comparison goods -- clothes, home furnishings, stationery, toys, compact discs, jewelry; however, people are most likely to buy these comparison items from commercial centers offering a wide selection. This is one reason shopping malls are so successful at selling clothing, shoes, and other apparel-related goods and services. By providing a dozen clothing stores in close proximity, rather than just one or two, they make it easy for people to comparison-shop, and, as a result, have greater market penetration than a district with just a couple of clothing stores.

The Riverside area is well-supplied with shopping malls offering a broad selection of comparison goods. It is unlikely that Arlington's commercial district will be able to compete against them and, therefore, developing middle-market clothing and furniture stores should not be a significant part of Arlington's retail development strategy.

c.   Destination Retailing: Possible Opportunities

One of the best retail development opportunities for many traditional commercial districts with one or more blocks of cohesive, high-density storefront buildings is to create one or more *clusters of related specialty retail businesses* which, together, serve as a "destination anchor" for the district. Sometimes, these *destination clusters* cater mostly to customers within the community itself, providing goods and services not offered by other retail centers.

Businesses often form clusters like this naturally, without intentional intervention from a developer, realtor, property owner, or local government. If a destination cluster offers very specialized products and services, it may be able to attract customers from a very large geographic area, including an international market, by using catalogs, the Internet, or other methods.

At a minimum, Arlington has the opportunity to develop one or more destination clusters, building on established strengths. Current data is not available to indicate which Arlington businesses might fall into this category.[9] However it is likely that clusters could be created. Examples include:

- *Restaurants*: Moderately priced, offering great service and emphasizing one-on-one relationships with repeat customers
- *Music:* Instruments (sales and rentals); used/vintage records, tapes, CDS; sheet music, etc.
- *"Recent" antiques:* Furniture, furnishings, art, clothing, collectibles, from the 1930s-on
- *Asian specialties:* Restaurants, clothing, art, medical supplies, and services
- *Photography:* Equipment and supplies, darkroom rentals, film, processing, etc.
- *Bridal[10]:* Moderately priced gowns, tuxedos, florists, limousines, musicians, and planning

These potential clusters meet four important criteria:

- 1. They build on the strength and market position of businesses already in Arlington
- 2. In addition to providing mutual support, they also provide mutual reinforcement.
- 3. They would be popular with young adults, valuable for their future buying power.
- 4. They would provide convenience goods/services for workers and residents.

Establishing a destination business cluster takes time and numerous factors *besides* the area's consumer's having adequate buying power to support them. But, *based on buying power alone*, it appears that sufficient buying power *does* exist to support businesses in each of these destination clusters *(Table 12)*, even if Arlington was only able to attract as little as 10% of sales in these categories in the Riverside area.

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[9] Consumer telephone and intercept surveys have not been conducted in Riverside since Marylander Marketing Research, Inc.'s studies, *Retail Expenditures by Riverside Area Residents Outside of Riverside County* and *Public's Perception of Retailing in Riverside*, were conducted for the Greater Riverside Chamber of Commerce in 1986.

[10] A destination cluster like this might be equally successful in the Magnolia Square commercial district.

Table 12: Buying power, Riverside City and County residents

Product or Service	Buying Power	
	City Residents	County Residents
Meals eaten in restaurants	$164,990,000	$844,980,000
Apparel, accessories, services · Bridal fashions[11]	157,381,000 2,084,000	802,386,000 10,536,000
Furniture and appliances · Antiques and collectibles[12]	132,291,000 3,006,000	671,572,000 15,314,000
Reading materials	15,658,000	80,548,000
Televisions, stereos, movies, recorded	48,974,000	254,079,000
Musical instruments, sheet music,	2,421,000	12,263,000
Photographic equipment, film	4,236,000	21,461,000
Entertainment (admissions) · Music clubs[13]	43,518,000 1,088,000	217,564,000 5,439,000

6.   ARLINGTON BUSINESS SURVEY

Surveys (see appendix) were distributed in the fall of 1997 to all retail, service and professional businesses in the Arlington commercial district.[14] Recipients were asked to complete the survey and return it anonymously to the Planning Department. The Planning Department forwarded surveys to the consultant.

The survey had several purposes:

•   1.   To measure changes in gross retail sales over the past five years in the Arlington commercial district, particularly in five key areas:

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[11] Estimated at 4 % of total demand for apparel and apparel services.

[12] Estimated at 10 % of total demand for furniture.

[13] Estimated at 2.5 % of total demand for entertainment/fees and admissions.

[14] A parallel survey was conducted at roughly the same time in the Magnolia Center commercial district, with the assistance of the City of Riverside's Department of Development, providing some interesting points of comparison between the Arlington and Magnolia Center commercial districts. The findings of the Magnolia Center Business Survey are summarized in *Magnolia Center Commercial District: Retail Development Strategy*, prepared by the consultant for the City's Department of Development.

        - Arlington Village core
        - West Magnolia Avenue portal
        - East Magnolia Avenue portal
        - North Van Buren Avenue portal
        - South Van Buren Avenue portal

- 2. To analyze the services and amenities which businesses offer their customers
- 3. To develop a profile of customers who patronize Arlington's businesses
- 4. To identify significant problems which business owners face
- 5. To gauge business perceptions of Arlington which affect consumer behavior

Of 260 surveys mailed, 28 samples, 11%, were returned. Surveys conducted by mail are generally not considered to be as statistically accurate as those conducted in person, so care should be taken in interpreting the findings. However, the results of the 28 surveys returned do, in fact, parallel information gathered from other sources. Unfortunately, there were only two respondents from the north Van Buren Avenue portal, a largely residential and office area, providing an insufficient return from which to draw meaningful conclusions.

a. Key findings

i. Retail sales throughout Arlington have dropped at an alarming rate.

Retail business respondents reported that gross sales have dropped by more than 50% since 1992 (adjusted for inflation). And, over 90% of Arlington's retail businesses reported declining/stagnant sales in the past two years.[15]

Table 13: Arlington gross sales trends

Year	Without inflation adjustment	With inflation adjustment
1993	-5.6%	-5.8%
1994	-22.4%	-23.6%
1995	-35.9%	-38.8%
1996	-46.7%	-51.9%

As alarming as these declines may initially appear, they have not affected all types of businesses, or businesses in all locations throughout the district:

- Most portal businesses reported sales declines, but *Village businesses and those along Van Buren Boulevard reported stable or increased sales.*

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[15] Businesses in the Magnolia Center commercial district reported a dramatic decline in gross sales since 1992, also, but the decline -- 36.4 %, adjusted for inflation -- is not as extreme as the retail sales decline in Arlington.

- Sales *declines* were also most *severe in businesses older than 10 years*; businesses that are less than ten years old reported increases.
- Retail businesses reported sales drops, professional offices reported modest increases*,* and service businesses reported stable sales.

ii. ***In general, Arlington's business owners are relatively negative about the overall condition of the commercial district.***

The following are the results of the survey's approval rating index for district characteristics:

Table 14: Business owner approval ratings

Characteristic	Approval Rating*
Overall attractiveness of the commercial district	29.6
Clarity/effectiveness of store and business signage	32.7
Distinctive identity	37.0
Cleanliness and maintenance	37.0
Overall appeal to Riverside-area residents	37.5
Safety	44.0
Parking availability/convenience	48.1
Price of goods and services available in the district	54.0
Clarity/effectiveness of public street and directional signage	56.0
Ease of walking in (or through) the district	57.7
Ease of driving in (or through) the district	59.6
Accessibility	63.0
Merchant friendliness	64.8
Business hours	64.8
Variety of goods and services available in the district	64.8
Quality of goods and services available in the district	68.5

*(100 = highest score possible; 0 = lowest score possible)

Note that of 16 characteristics Arlington business representatives evaluated, none received a rating higher than 68.5 (out of a possible 100), with a median score of only 55.0 for *all* characteristics. Arlington's business owners, it seems, do not feel good about the quality of the district's environment, its safety, or its amenities.

iii.   *The greatest areas of concern for the Arlington commercial district's businesses are the district's physical deterioration and appearance*.

The *poorly maintained buildings and physical deterioration* of the district as a whole are foremost in the minds of Arlington's businesses. Their concerns are quantified, as well: of the 16 characteristics of the Arlington commercial district which businesses evaluated, the five characteristics receiving the lowest scores are directly related to the district's physical condition. These concerns were reinforced in the written comments. The following is a summary of some of the concerns raised in response to the question, "What, in your opinion, are the most important things that need to be changed to improve the business climate in Arlington?":

- Better signs
- Develop and follow a visual theme
- Fewer low rent apartments/ residential
- Reduce speeds
- Get rid of seedy businesses
- Make area safer
- Clean up and preserve older beautiful buildings

iv.   *While the appearance of the commercial district scores lowest with Arlington's business owners, concerns about crime are close behind.*

Businesses responding to the Arlington Business Survey gave crime a rating of 44 out of 100 possible points, rating it a significant concern. But the written comments included in the survey suggest a concern greater than the number alone indicates, with businesses complaining that gangs, public inebriants, and other evidence of crime in the neighborhood are hurting business activity.

v.   *A surprisingly large number of businesses completing the survey are unsure of where their customers live and work.*

When asked to estimate the percentages of their customers who live or work in the Arlington neighborhood, businesses completing the Arlington Business Survey reported that they are unsure of where an average of 34% of their customers live and

where an average of 24% of their customers work. Paradoxically, many businesses also commented that one of the things they like *best* about doing business in Arlington is knowing their customers.

vi. *Arlington's businesses do not appear to be capturing as large a share of sales by neighborhood residents and workers as is probably possible.*

According to businesses' estimates of where their customers live and work, neighborhood residents comprise approximately 35% of the Arlington commercial district's customer base, with 41% living elsewhere. Businesses were unsure of where the remaining 24% live (*Table 15*).

Similarly, businesses reported that about 22% of their customers work in the Arlington area, with 30% working outside Arlington, 11% retired, and 3% unemployed (businesses were unsure of where the remaining 34% work).

There are both good news *and* somewhat bad news in this finding:

• Businesses are attracting people from outside the district (good news)
• The district's businesses could probably enjoy a larger share of the neighborhood's "captive" markets -- its workers and residents

vii. *Very few Arlington commercial district businesses provide special customer services or amenities.*

To effectively compete today, businesses -- particularly independently owned businesses -- must offer exemplary customer service. Small, independently owned businesses cannot usually compete against discount superstores on the basis of price; to win customers, they must win their customers' loyalty by offering outstanding service and amenities. They must adapt their store hours to be as convenient as possible for their customers. They must be willing to sell things by telephone; offer free delivery; send out newsletters; offer unconditional guarantees; reward their regular customers with incentives; and keep records of their customers' purchases, preferences, birthdays, etc. They must be relentless.

According to the Arlington Business Survey, however, very few Arlington businesses are offering their customers much beyond the most basic levels of service and amenities *(Table 17)*. To survive, they *must* do better.

Table 15: Customer services provided by Arlington businesses

Customer Service	% Providing this Service
Delivery (free)	0%
Delivery (for a fee)	17%
Gift wrap (free)	0%
Gift wrap (for a fee)	3%
Shipping (free)	3%
Shipping (for a fee)	17%
Private business hours	31%
Extended business hours	38%
Repairs (free)	21%
Repairs (for a fee)	24%
House charge accounts	17%
Accept credit cards	38%
Accept debit cards	21%
Accept personal checks	52%
Customer newsletters	28%
Mail order sales	10%
Frequent customer incentive program	14%
Unconditional guarantees	14%

viii.   Businesses in Arlington's commercial district seem very aware of the need to "organize" to revitalize the district.

Several comments in the Arlington Business Survey indicate that businesses are eager to find a forum in which to discuss issues, share ideas, and collaborate. In fact, some business leaders are in the process of forming a "business improvement district," or BID. This would not only provide a forum for discussing issues, it would provide a base for funding improvements and attracting new businesses.

7.   CONCLUSIONS AND RECOMMENDATIONS

a.   Conclusions

i.   Arlington's commercial district is in a state of economic transition.

- Retail businesses are losing sales; service-oriented businesses are holding their own; professional offices are experiencing modest growth.
- There is no organized plan for developing or locating business.
- Many businesses appear to be doing a relatively poor job at attracting customers in the immediate market area and offer few customer services.
- Older businesses, in particular, appear to be losing ground economically.
- Because of the area's aging population, it is essential that the district attract young adults, especially between ages 25-40.

ii.   The district is also in a state of physical deterioration.

- The district's run-down appearance deters customers[16]
- Aside from wide sidewalks, Arlington has few pedestrian amenities
- Newer buildings detract from the character and unity of the district

iii.   The potential for economic revitalization is significant.

- Residents/workers have the buying power to support new businesses.
- Existing businesses could form *destination clusters* which could serve as "anchors" to attracting customers from throughout the County and beyond.
- The core of older, traditional storefronts (especially near Magnolia and Van Buren) lends itself to neighborhood and destination shopping.
- With a coordinated program of public/private sector improvements, the district could become one of the most attractive destinations in the area.

iv.   There are Significant Challenges Ahead

The presence of adequate buying power in the region to support the district's revitalization does not guarantee that the district will be successful. There are many

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[16] No current empirical data exists to indicate if businesses' perceptions of what deters customers from shopping in Arlington are accurate or not. This information *could* be obtained by conducting consumer telephone and intercept surveys. However, a visual inspection alone is sufficient to give credence to their perceptions, regardless of the degree to which businesses may be over- or understating the extent to which the district's physical appearance deters customers from shopping in Arlington.

other factors which contribute to an economically healthy commercial district. Key among these are:

- *Commitment* -- and concerted action -- on the part of local government to fill-out *existing* centers before allowing development elsewhere.
- *Collaboration* between businesses -- even between businesses which might have viewed each other as competitors in the past.
- *Willingness* to assume *personal responsibility for helping the district succeed*, from picking up trash to attending revitalization meetings.
- Dedication to business innovations, including the implementation of new ways to serve and learn about existing and potential customers.
- *Commitment* to keeping *Van Buren as pedestrian friendly as possible,* to reduce the negative experience of crossing this high speed street.

b.   *Recommendations*

i.   *Create an organizational mechanism for coordinating Arlington's revitalization*.

Who is "in charge" of Arlington's revitalization? From the consultant's interviews with both public and private-sector partners, it appears that both sectors hope the other sector will step forward and take the lead. Everyone could be waiting quite a while unless *both* sectors join forces. There are many ways in which the revitalization process might be structured. Eventually, the business district's constituents should create a full-time, staffed organization to coordinate and oversee the process. To start, it is critical that a volunteer group be formed.

The volunteer group -- which, for lack of a term, we will refer to as the *Arlington Task-force* -- should initially fulfill these functions, at a minimum:

- Provide a *forum for businesses* to talk about problems and opportunities.
- Engage and *support/identify the resources of a broad range of community groups* with an interest in Arlington's future.
- *Finalize the commercial district's retail development strategy*, then meet with such stakeholders as property owners, business owners, realtors. Chamber of Commerce, and financial institutions.
- *Plan a community festival* -- in part to focus attention on Arlington's charm, and in part to help build a volunteer support base.

Some business owners expressed concern about the City's sign restrictions and enforcement. Part of the consensus building process should be aimed at addressing these concerns.

ii.   Adopt and implement a two-part retail development strategy

Strategy One: *Provide more, and better, goods and services to neighborhood residents and workers.*

The Arlington neighborhood already provides many of the basic convenience-oriented goods and services which neighborhood residents and workers need -- but it can, and must, do a better job at making it easier and more appealing to shop there. At a minimum, businesses providing convenience-oriented goods and services should consider offering:

- business hours after 5:00 p.m.
- "frequent-customer" programs, such as *permanent* discounts, free delivery, etc.
- same-day delivery service within the Arlington neighborhood
- phone orders

Among the types of businesses a neighborhood-serving, convenience-oriented commercial district should try to include are:

- groceries
- newsstand/coffee shop
- bakery
- restaurants serving breakfasts, lunches, takeout dinners
- dry cleaner
- laundromat
- small appliance/machine repair shops
- shoe repair
- tailoring
- video rentals
- hair and skin care
- ice cream
- medical and dental offices
- pharmaceuticals
- film processing
- gasoline and automotive services (portal areas only)
- child day care
- stationery
- hardware and sundries

Ensure that all these service are available within the Arlington commercial district (some of these services might, of course, be combined within one business -- e.g., a grocery store that also provides pharmaceuticals).

It is recommended that there be:

- a cluster of lower to moderately-priced convenience-oriented businesses toward the northeast end of the east Magnolia Avenue portal, primarily serving the residential blocks in this vicinity
- food services (restaurants, coffee shop, perhaps a convenience food market) on the south side of Magnolia at the intersection of Magnolia and Van Buren;
- a cluster of moderately-priced convenience-oriented businesses toward the west end of the west Magnolia Avenue portal, primarily serving the Arlington residents and area workers

Strategy Two: *Develop Destination Clusters*

The Arlington commercial district could support several *destination clusters*, or groups of businesses which offer related goods and services and/or which cater to the same type of customer. The following *destination clusters* could probably be supported in the Arlington commercial district:

- *Music:* Musical instruments (sales and rentals); used/vintage/second-hand records, tapes, compact discs; sheet music; music clubs
- *"Recent" antiques:* Furniture, home furnishings, artwork, posters, clothing, collectibles, architectural salvage, televisions, radios, stereos, cameras, kitchen appliances, comic books, and "kitsch" from the 1930s-onward
- *Asian specialties:* Restaurants; clothing; art; medical supplies and services
- *Photography:* Equipment and supplies; darkroom rentals; film; film processing; custom photo processing and digitizing services; portrait studios; photo galleries
- *Bridal:* Moderately priced bridal gowns/tuxedos (sales and *rentals*); florists; limousine rentals; printers; musicians; wedding planners
- *Restaurants*: Moderately priced, offering great service and emphasizing one-on-one relationships with repeat customers

The destination clusters should be located primarily on Magnolia Avenue, ideally in these general locations:

- *Music:* southeast quadrant of the Magnolia - Van Buren intersection
- *"Recent" antiques:* southeast quadrant of the Magnolia - Van Buren intersection
- *Asian specialties:* southeast quadrant of the Magnolia - Van Buren intersection, several blocks east of the intersection
- *Photography:* clustered in the vicinity of the Arlington Phototorium
- *Bridal:* northeast quadrant of the Magnolia portal
- *Restaurants:* concentration around the intersection of Magnolia and Van Buren, on the south side of Magnolia, with smaller groups toward the east and west ends of the study area on Magnolia Avenue

(See Appendix 1 for feasibility estimates for each of these retail development programs)

Creating specialized clusters will undoubtedly involve "rearranging" the locations of some existing retail businesses. Some of this may occur voluntarily; other opportunities to relocate businesses -- or to place new businesses -- will occur naturally, through business attrition. The *Arlington task force* could also explore the possibility of creating financial incentives to encourage businesses to relocate within the Arlington commercial district.

iii.   Sharpen the skills of existing businesses

For numerous reasons, small, independently owned businesses are often at a disadvantage in competing with chain stores which have professional analysts dedicated to studying retail trends, testing merchandise and marketing strategies, and providing local store managers with the tools needed to meet sales targets. Small businesses can rarely compete on prices with the chain stores but they *can* compete effectively by providing exemplary customer service and building strong, lasting relationships with their customers. It is therefore critical that small businesses understand their customers' motivations, shopping preferences, and demographic characteristics thoroughly.

To help independently owned businesses compete effectively, communities must create comparable resources for them. Primarily, this involves providing information and technical assistance -- *lots of it*. Sometimes, it involves working with financial institutions or nonprofit financial intermediaries to make business development financing more readily available to small businesses. Occasionally, it might even involve putting together investment groups to take equity positions in key businesses.

It always involves marketing the district as a whole while supporting individual business marketing efforts.

Early in the implementation phase, the City and a coalition of Arlington's businesses should examine the needs of small businesses in the commercial district -- particularly their information and technical assistance needs -- and find ways to provide resources needed to provide exemplary customer service. A few ways to begin this process are:

- Work with a local college or vocational training school to create and offer a "small business boot camp," providing training in accounting, marketing, business plan development, small business finance, customer service, visual merchandising, merchandise control, advertising, and similar subjects. Offer classes frequently, at different times, *within* the Arlington commercial district.
- Contract with a small business development center or consultant to provide one-on-one consultations to businesses within the district.
- Distribute copies of this and other reports that might be of interest.
- Excerpt information from reports such as this for Chamber and other publications.

iv. *"Densify" the commercial district*

The area in the immediate vicinity of the Magnolia - Van Buren intersection is one of Riverside's truly charming "urban" areas, with contiguous storefronts on forming a compact, relatively pedestrian-friendly street front. But, moving out from this cohesive core, the district thins out considerably, with newer commercial buildings set back from the road and separated from one another.

The "automobile-orientation" of this arrangement is antithetical to the development of a tight, cohesive, pedestrian-friendly commercial core. To the extent possible, the existing commercial core should be strengthened and expanded out to the ultimate boundaries of the Village district by requiring new developments in this area to follow Arlington Village's design guidelines.

The blocks of contiguous storefront buildings east of Van Buren Boulevard are best suited for pedestrian oriented retail uses in the district. Most of the *destination clusters* should be grouped here, along with one of the groupings of neighborhood-serving convenience businesses. Further commercial development northwest of the Magnolia/Van Buren intersection -- particularly the segment between Miller and

Magnolia -- should be discouraged and, should the businesses in that quadrant relocate elsewhere in the district and leave those commercial buildings vacant, it would be ideal to extend Arlington Park down to Magnolia.

v.   ***Develop a marketing campaign that positions Arlington as a unique commercial district within the economic region, stressing Arlington's appeal to neighborhood residents/workers and to young adults throughout the Riverside area.***

To parallel the district's business development strategy, it is recommended that the *Arlington Task-force* create an aggressive marketing strategy which will position Arlington as a one-of-a-kind commercial district within Riverside, the County, and the region. One of the best ways to create a unique marketing identity for a traditional commercial district is to use its *history* to distinguish it from all other commercial centers within the region.

But, building on the district's history shouldn't be a dry, tedious exercise with architectural walking tours and an academic tone. Instead, extract interesting information from Arlington's history and use these historic themes to shape a new identity for Arlington as *a "cool," independent, multi-cultural, forward-thinking, tightly-knit community*. Revive the spirit of Arlington's historically independent identity in a program of promotional and marketing activities. Some examples of Arlington's past which could be used include[17]:

•   Arlington has its own historic postmark which could be used as the district's marketing logo.
•   The Asian and Mexican cultures played important roles in Arlington's development and could be incorporated into Arlington's image.
•   Road runners used to escort vehicles driving along Harrison Street -- another opportunity for a graphic image.
•   A bonfire was kept ablaze all night at the intersection of Magnolia and Van Buren on November 11, 1918, celebrating the armistice ending World War I. Arlington resident William Meggison, whom the *Arlington Times* called a "modern Paul Revere," rode his horse and buggy throughout Arlington spreading the news of the armistice. This could be celebrated in an annual event.
•   The intersection of Magnolia and Van Buren was also the site of an elaborate drinking fountain for horses. Perhaps a replica could be built, or an interpretive center installed.
•   Tuesday was once "at home day" on Magnolia Avenue in Arlington, with

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[17] Information on Arlington's history was pulled from *Observations*, a compilation of writings of Marie Liebert, copied from the *Arlington Times* and published by Theresa L. Gordon, October 30, 1982, a copy of which was loaned to the consultant by Council Member Alex Clifford.

families setting aside time that evening to visit friends and neighbors. This could be used in marketing specials at restaurants, gift stores, etc.

- A sign on Magnolia Avenue, heading north between Tyler and Polk, announced, "Welcome to Riverside *via Arlington*." Perhaps new entry signs could be fashioned after this historic sign.

- Nicholas Anniger, an early Arlington resident, used to buy Christmas presents for every child in Arlington, distributing gifts at a local church. He would personally visit any child who didn't show up at the church to collect his or her gift and would deliver the gift in person. Christmas promotions could be based upon this.

vi.   *Implement design guidelines*

 In order for consumers to think of Arlington as a cohesive, unified business district, it must *look* like a cohesive, unified business district. Chapter 4 sets out design guidelines for the Van Buren and Magnolia Corridors. These guidelines are important to Arlington's economic revitalization. There are currently a number of buildings whose original character is obscured by well intended, but ill-conceived remodelings. There are also too many deteriorating signs, garish colors, and other characteristics which, rather than suggesting "unity," give the impression that individual businesses are competing *against one another* for visual attention. Unfortunately, this simply damages the overall appearance of the entire street. The *Arlington task force* might consider creating an incentive program (offering either matching grants or free design assistance, or both) to stimulate building improvements within the district, making compliance with the design guidelines a requirement for qualifying for the incentive.